

**THE OFFICE OF REGULATORY STAFF  
REHEARING SURREBUTTAL TESTIMONY  
AND EXHIBITS**

**OF**

**DAWN M. HIPPI**

**DECEMBER 5, 2017**



**DOCKET NO. 2014-346-WS**

**Application of Daufuskie Island Utility Company,  
Incorporated for Approval of an Increase for Water  
and Sewer Rates, Terms and Conditions**

**REHEARING SURREBUTTAL TESTIMONY AND EXHIBIT OF**

**DAWN M. HIPPI**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2014-346-WS**

**IN RE: APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY,  
INCORPORATED FOR APPROVAL OF AN INCREASE FOR WATER AND  
SEWER RATES, TERMS AND CONDITIONS**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Dawn M. Hipp. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Director of the Utility Rates and Services Department of the Office of Regulatory Staff ("ORS").

**Q. DID YOU FILE REHEARING DIRECT TESTIMONY AND EXHIBITS  
RELATED TO THIS PROCEEDING?**

**A.** Yes. I filed rehearing direct testimony and exhibits on November 16, 2017, which were revised on November 29, 2017.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS  
REHEARING PROCEEDING?**

**A.** The purpose of my rehearing surrebuttal testimony is to respond to the rehearing rebuttal testimony filed by Daufuskie Island Utility Company, Inc. ("DIUC" or

“Company”) witnesses John F. Guastella on November 29, 2017. Specifically, I will provide a response on the following items:

1) DIUC’s assertions related to ORS’s recommendation to remove \$542,978 in rate case expenses associated with Guastella Associates, LLC (“GA”);

2) DIUC’s assertion that ORS’s recommendation to apply a five (5) year amortization period for rate case expenses results in DIUC receiving full recovery of rate case expenses in 2023;

3) DIUC’s assertion that ORS did not “...engage in a fair analysis of management fees”; and

4) DIUC’s assertion that GA has “...helped with the financial stability of DIUC.”

**Q. DOES DIUC ACCURATELY CHARACTERIZE ORS’S RECOMMENDED AMOUNT FOR RATE CASE EXPENSES?**

**A.** No. DIUC’s witness Guastella indicates ORS recommends that DIUC be allowed to recover \$275,382 in rate case expenses. In another area of rehearing rebuttal testimony, DIUC witness Guastella identifies the ORS recommendation for rate case expenses is \$275,882. Neither of these dollar amounts is correct. ORS recommends DIUC be allowed to recover \$272,382 in rate case expenses per ORS Witness Sullivan’s Revised Rehearing Audit Adjustment 6(a).

**Q. WHAT IS ORS’S POSITION REGARDING THE INCLUSION OF RATE CASE EXPENSES INCURRED BY DIUC AFTER SEPTEMBER 30, 2017?**

**A.** On October 24, 2017, ORS requested DIUC provide detailed invoices and other documentation to support all rate case and bond cost expenses incurred since August 11,

2015, for which the Company is seeking recovery. The invoices and supporting documentation provided by DIUC on October 27, 2017, did not include invoices or supporting documentation for rate case expenses incurred after September 30, 2017. ORS did not include the \$120,000 estimate of rate case costs as the cost estimate is not known or measurable. In addition, ORS could not verify the costs.

Should the Commission allow DIUC to update its rate case expenses up to and through the date of the rehearing, ORS will review the invoices and supporting documentation for rate case expenses incurred after September 30, 2017, and report our findings to the Commission.

**Q. WHAT IS ORS’S RESPONSE TO DIUC’S ASSERTIONS RELATED TO THE SERVICES PROVIDED BY GA FOR THIS RATE PROCEEDING?**

**A.** DIUC, its parent company, Daufuskie Island Holding Company, LLC and its individual stockholders have entered into a Management Agreement with GA to provide a specific scope of services. The Scope of Services to be provided by GA does not include work related to “...the preparation and filing of general rate increases... or other matters that are not routine in the day-to-day management or that would typically require the services of outside consultants.” The Scope of Services requires DIUC to “...employ GA for such work under a separate agreement with the prior approval of the president of the Company.” See Rehearing Exhibit DMH-4, p.4.

It is ORS’s position that no such “separate agreement” exists to indicate what work GA is contracted to perform in a general rate increase and at what rate GA is to be paid for the work. DIUC did not provide any such agreement to ORS in its June 25,

2015, response to ORS's First Continuing Information Request Question 1.7 which requested:

1.7 Provide copies of all existing and proposed special contracts binding DIUC to a third party. Special contracts would include, but not be limited to, contracts for maintenance, construction agreements and **rate agreements**. If any reimbursement of cost for work performed by DIUC is made, provide the set formula and calculated amount(s) used to reimburse DIUC.

**RESPONSE:** *The only third party contract is the management agreement with Guastella Associates. Please see PDF file named "DIUC-ORS Attachment 1.9" for a copy of this agreement.*

ORS understands GA performed services in connection with this rate proceeding, but, due to the lack of a written agreement, ORS cannot verify what services GA is required to perform related to general rate increases and at what price DIUC agreed to pay GA for those services. The fact that GA is also managing the day-to-day operations of DIUC presents certain challenges in verifying where the work performed by GA under the management agreement ends and work performed to support the rate case and appeal proceedings begin. As a result, ORS cannot verify that DIUC's characterization of the efforts GA undertook to "...complete discovery, try the rate case, then file an appeal..." is accurate.

**Q. PLEASE EXPLAIN THE DEFICIENCIES ORS FOUND IN ITS REVIEW OF \$542,978 IN RATE CASE EXPENSES RELATED TO THE GA INVOICES.**

1     **A.**           It might be helpful to provide several examples of why ORS's recommends  
2           removal of \$542,978 in rate case expenses attributed to GA. ORS Response to DIUC  
3           Discovery Question 3a – Attachment 1 (5 pages) provides a detailed breakdown of each  
4           GA rate case invoice and the deficiencies ORS identified. This response was provided to  
5           DIUC on November 28, 2017 and is attached as Rehearing Surrebuttal Exhibit DMH-1.

6           As stated earlier in my rehearing surrebuttal testimony, ORS cannot verify what  
7           specific services GA is required to perform related to general rate increases and at what  
8           price DIUC agreed to pay GA for those services. This is due to the lack of a "separate  
9           agreement" between the Company and GA. I will rely on several documents filed with  
10          the Commission including Rehearing Exhibit DMH-1 (120 pages) to provide several  
11          examples of why the GA invoices are deficient. Below, I will address each of DIUC  
12          witness Guastella's rebuttal responses listed on page 6 through page 9 in his Rehearing  
13          Rebuttal testimony.

14         **Example #1: GA invoice #133 (Rehearing Exhibit DMH-1 p.1) contains a**  
15         **mathematical error.**

16           The invoice erroneously lists a rate for Principal 1 as \$35. Based on ORS's  
17           review of the other 30 invoices provided by DIUC for GA, this rate appears to be in error  
18           as the rate range for Principal 1 (later the title is changed to President) ranges from  
19           \$345/hour to \$375/hour.

20         **Example #2: GA invoice #236 (Rehearing Exhibit DMH-1 p.42) does not contain a**  
21         **sufficiently detailed description of the work performed, the employee who**  
22         **performed the work and the specific dates/times the work was performed.**

1           The invoice does not contain the GA employee name, the specific dates/times the  
2           employee performed their duties and what duties each employee performed. Due to the  
3           lack of detail, ORS is unable to test whether or not the services were actually performed  
4           by GA as reflected on the invoice and to ensure GA did not also bill DIUC for the same  
5           employee time under its management agreement with DIUC. Because DIUC is required  
6           to use GA to prepare and file general rate cases and GA is also used by DIUC to manage  
7           the day-to-day operations, the verification of these less-than-arms-length transactions are  
8           critical to ensure ratepayers are protected.

9           In contrast, ORS included in rate case expense Invoice #78767 for Pratt-Thomas-  
10          Walker Invoice (Rehearing Exhibit DMH-1, p.43-45). The invoice lists employee names,  
11          specific dates/times of work for each employee, and detailed work description for each  
12          employee. Invoice #78767 included the beginning and end dates of the work performed  
13          and the total amounts for services, previous balance and balance due.

14          In response to DIUC witness Guastella's assertion that the format of GA invoices  
15          "...have been acceptable to regulatory agencies...", ORS's review of invoices and  
16          supporting documentation, has resulted in ratepayer savings. ORS finds the information  
17          provided in these invoices to be insufficient. DIUC witness Guastella mis-characterizes  
18          ORS's prior review of GA invoices when he states "...ORS did not express any concern  
19          about their format or the information provided." Of the 31 invoices for GA, which are  
20          attributed to rate case work, ORS received five (5) of the GA invoices for review prior to  
21          August 11, 2015, which was the ORS cut-off for receipt of DIUC supporting information.  
22          In 2015, ORS was not able to verify work performed due to the lack of detailed invoices

1 provided by GA. ORS hosted an exit conference with DIUC on August 24, 2015, and the  
2 GA invoice deficiencies were discussed as ORS provided detail to support an ORS  
3 adjustment to limit rate case expenses to \$75,000.

4 In response to DIUC's assertion that ORS did not follow up, request more detail,  
5 or express any concerns during the rehearing phase of this proceeding related to the GA  
6 invoices, ORS is not obligated to ask the Company to properly support its rate case  
7 expenses – the burden of proof is on the Company. Due to the compressed timelines  
8 requested by DIUC for this rehearing, ORS requested and received information through  
9 discovery, conducted its analysis and pre-filed its rehearing direct testimony in a short  
10 timeframe. DIUC has not provided additional support for the work performed by GA.

11 In response to DIUC's assertion that the GA invoices are not deficient because  
12 GA used a similar invoice format for rate case work performed for Kiawah Island  
13 Utilities, Inc. ORS asserts this is an "apples-to-oranges" comparison. The Kiawah Island  
14 Utilities, Inc. vendor invoice review process scrutinized the GA rate case invoices to  
15 ensure ratepayers received the agreed upon services. However, for DIUC, GA controls  
16 the day-to-day vendor invoice payment which, appear to include approval of its own  
17 invoices for work performed on general rate cases. The apparent lack of arms-length  
18 transaction requires a careful review by ORS.

19 **Example #3: GA invoice #228 (Rehearing Exhibit DMH-1 p. 36) does not provide a**  
20 **detailed breakdown of travel expenses incurred by GA and no receipts for travel**  
21 **expenses were provided.**



1           ORS cannot accept DIUC's unsupported assertion that travel conducted on this  
2           invoice by three (3) employees was reasonable. Expenses which the Company seeks to  
3           recover through rates must be transparent and supported by adequate receipts and  
4           documentation to describe the travel expenses of its vendor, GA. In other utility rate  
5           cases, ORS's review of travel expenses has found situations where regulated utilities  
6           incurred lavish expenditures related to employee travel (i.e. private jets, \$50 alcoholic  
7           drinks) and included those lavish expenditures in a rate application. ORS's scrutiny of  
8           utility travel expenses is necessary to protect ratepayers.

9           As for DIUC's assertion that ORS has surprised DIUC with this position, the  
10          burden of proof is on the Company to properly support its rate case expenses. In  
11          addition, ORS provided, through discovery, a detailed breakdown of each GA invoice  
12          which detailed ORS's reasons for removal of the specific travel expenses (Rehearing  
13          Surrebuttal Exhibit DMH-1, page 3 line 15). Due to the compressed timelines requested  
14          by DIUC for this rehearing, ORS requested and received information through discovery,  
15          conducted its analysis and pre-filed its rehearing direct testimony in a short timeframe.  
16          DIUC has not provided additional support for the work performed by GA.

17          **Example #4: GA invoice #184 (Rehearing Exhibit DMH-1 p. 17) reflects a Total**  
18          **Balance Due of \$499,496.84 and does not appear to be paid.**

19          In ORS's review of the GA invoices for rate case expenses, ORS found it unusual  
20          that the Total Balance Due of \$499,496.84 appeared on all 31 invoices which were  
21          generated during the time period of 2014 through 2017. GA invoice #184 was rendered  
22          for work performed in February 2015, yet it is unclear by looking at the invoice if the

work is inclusive of all days in February or if the work extends into January or March. The lack of a start date, specific dates of service and an unusually high balance prior to the original rate hearing make it impossible for ORS to verify the validity and accuracy of the GA invoices.

None of the GA invoices provided to ORS indicate that GA has been paid by DIUC. Because DIUC has been collecting its requested rates under bond, but has still not paid any GA invoice, it would be purely speculative as to whether DIUC will pay the GA invoices in the future. For comparison purposes, invoices provided by DIUC for rate case services by Pratt-Thomas-Walker include a verification that payments were made by DIUC

DIUC asserts that "...the \$97,500 was found to be unsupported by the Supreme Court..." ORS strongly disagrees with characterization of the content of the Supreme Court Opinion No. 27729 and as a result, did not revisit its position to include \$97,500 in rate case expense up to August 11, 2015.

**Q. WHAT IS ORS'S RESPONSE TO DIUC'S SUMMARY OF THE WORK PERFORMED BY GA RELATED TO THIS RATE CASE?**

**A.** DIUC witness Guastella asserts that GA provided a suite of services to support DIUC in its efforts related to this general rate proceeding in exchange for payment of \$542,978. It is obvious to ORS that GA is financially invested in the outcome of this proceeding as it is the acting manager of DIUC and its primary rate case consultant. With that said, ORS affirms its recommendation to remove the \$542,978 in rate case

1 expenses attributed to GA because the invoices and supporting documentation are lacking  
2 sufficient detail for ORS to verify their validity, purpose and reasonableness.

3 DIUC witness Guastella mis-characterizes ORS's role by asserting that "...ORS  
4 seeks to deny DIUC the ability to cover its debt to GA for its work." ORS disagrees with  
5 this characterization. ORS merely points out flaws in the GA invoices that render ORS  
6 unable to properly verify the expenditures. ORS cannot arbitrarily pick a dollar value and  
7 attribute it to the GA rate case expense invoices. The ORS review is critical to ORS  
8 determining the value of its adjustments and ORS was unable to verify the GA rate case  
9 invoices.

10 **Q. DOES ORS AGREE WITH DIUC'S CALCULATION THAT A 5-YEAR**  
11 **AMORTIZATION PERIOD FOR RATE CASE EXPENSES WOULD BEGIN IN**  
12 **2018 AND ENDS IN 2023?**

13 **A.** No. DIUC witness Guastella indicates the "...actual rate case expense would not  
14 be fully recovered until January of 2023..." ORS disagrees. The rate case expense  
15 amortization period should begin on July 1, 2016 - the same date DIUC chose to  
16 implement higher rates under bond, which the Commission approved in Order No. 2016-  
17 156. If the ratepayers are paying higher rates under bond, the amortization period for rate  
18 case expenses should begin on the same date.

19 **Q. DID DIUC REQUEST RECOVERY OF CARRYING COSTS ON THE**  
20 **UNAMORTIZED BALANCE OF RATE CASE EXPENSE?**

21 **A.** Yes. In its Application, DIUC requested the unamortized balance of rate case  
22 expense be included in rate base. ORS made an adjustment to remove the unamortized

1 balance of rate case expense. The ORS adjustment was accepted by DIUC witness Gary  
2 White and is reflected on his rehearing exhibit GCW-R1 pages 14 and 24. DIUC witness  
3 Guastella continues to discuss the significant impact of carrying cost on DIUC, its  
4 stockholders and its ratepayers on page 12 of DIUC witness Guastella's Rehearing  
5 Rebuttal testimony even though DIUC witness Gary White has accepted the adjustment.  
6 The impact of a 5-year amortization period for rate case expenses on the unamortized  
7 balance of rate case expense is irrelevant because DIUC accepted the adjustment to  
8 remove the unamortized balance of rate case expense from rate base.

9 **Q. DID ORS ENGAGE IN A FAIR ANALYSIS OF THE MANAGEMENT FEE**  
10 **ISSUES ASSOCIATED WITH DIUC?**

11 **A.** Yes. ORS fairly analyzed the management fee charged by GA to DIUC and has  
12 affirmed its position that management fees paid to GA should be limited to \$132,211.  
13 ORS disagrees with DIUC's position that the management agreement's Termination  
14 provision is the only "check and balance" that should exist in this type of vendor and  
15 utility relationship. It is ORS's position that DIUC, its parent company, and individual  
16 stockholders have delegated all managerial, executive and policy decisions related to  
17 DIUC to its vendor, GA. Because DIUC, its parent company and individual stockholders  
18 appear to exercise limited decision-making authority, there is little to protect the  
19 ratepayer from unfair dealings by DIUC's management company, GA.

20 GA has not acknowledged that it could have prevented the sale of the Elevated  
21 Tank Site by proactively reviewing its records to ensure all taxes were paid and resolving  
22 discrepancies on the county tax records in a timely manner. GA provides consulting

services to DIUC as it attempts to regain ownership through condemnation and DIUC seeks to pass along the legal and consulting fees associated with the condemnation to its ratepayers. ORS's analysis of the management relationship between GA and DIUC has identified that GA has a vested financial interest in a prolonged effort to regain ownership. ORS's position to limit the recovery of management fees to the ratepayer serves to insulate the ratepayer from the negative effects of the DIUC management agreement.

**Q. WAS THE HELIPAD CONSTRUCTED DURING THE TEST YEAR?**

**A.** No. DIUC witness Guastella provides examples of the accomplishments of GA that benefit DIUC customers. ORS does not dispute the ratepayers have experienced some benefits. However, ORS would point out that ORS could not verify the calculations of specific savings offered by DIUC witness Guastella in Rehearing Rebuttal testimony.

**Q. DOES THE MANAGEMENT FEE INCLUDE COMPENSATION FOR GA FOR ACTIVITIES RELATED TO LONG-TERM FINANCING OR ADMINISTRATION OF CAPITAL PROJECTS?**

**A.** No. The listing of accomplishments provided by DIUC witness Guastella included efforts to obtain financing and administration/supervision of capital projects. Both of those accomplishments are not covered by the monthly management fee as DIUC witness Guastella has characterized in his Rehearing Rebuttal testimony. Instead, GA is compensated by DIUC through a separate Finance Fee and Capital Fee (Rehearing Exhibit DMH-4 p. 5) as specified in the management agreement.

1   **Q.     DOES ORS AGREE THAT GA AND THE OWNERS OF DIUC HAVE ACTED IN**  
2       **THE BEST INTEREST OF THE CUSTOMERS?**

3   **A.**           No. DIUC's contract with GA for management fees and lack of contract with GA  
4       for work performed related to general rate increase proceedings has resulted in DIUC  
5       delegating all management, executive and policy functions to its vendor, GA. As such,  
6       the risks associated with those decisions have been passed to the ratepayer.

7   **Q.     DOES THIS CONCLUDE YOUR REHEARING SURREBUTTAL TESTIMONY?**

8   **A.**           Yes it does.

| # | Date       | Invoice | Payee                        | Amount       | Rehearing Exhibit<br>DMH-1 Page # | DIUC Invoice Description   | ORS Documentation Deficiency   |
|---|------------|---------|------------------------------|--------------|-----------------------------------|--|--|
| 1 | 7/10/2014  | 133     | Guastella Associates,<br>LLC | \$ 1,612.50  | 1                                 | Rate Filing - Work in progress on rate analysis. Review operations for capital and expenses to establish a normalized test period. | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 7/10/14 appears incorrect; Rate for Principal 1 not consistent with rates used on other invoices (mathematical error); No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 2 | 9/9/2014   | 139     | Guastella Associates,<br>LLC | \$ 16,687.50 | 2                                 | Consulting services in connection with the preparation of a rate application.  | No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 9/9/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 3 | 10/14/2014 | 145     | Guastella Associates,<br>LLC | \$ 5,130.00  | 3                                 | Work in progress on rate analysis.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 10/14/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 4 | 11/11/2014 | 151     | Guastella Associates,<br>LLC | \$ 13,122.50 | 6                                 | Work in progress on rate case.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 11/11/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 5 | 12/9/2014  | 165     | Guastella Associates,<br>LLC | \$ 14,600.00 | 7                                 | Work in progress on rate case.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 12/09/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 6 | 1/5/2015   | 170     | Guastella Associates,<br>LLC | \$ 19,932.50 | 8                                 | Work in progress on rate analysis. Review draft schedules and calculations, and make revisions.                                    | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 01/05/15 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 7 | 2/10/2015  | 179     | Guastella Associates,<br>LLC | \$ 25,239.02 | 9                                 | Work in progress on rate filing. Revise rate analysis; negotiate reduction of property taxes, related discussions with attorney.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 02/10/15 appears incorrect; Work performed appears to include property tax negotiations; Travel Expenses for air fare and room and board are not supported by receipts and no employee name listed; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |

| #  | Date       | Invoice | Payee                     | Amount       | Rehearing Exhibit<br>DMH-1 Page # | DIUC Invoice Description   | ORS Documentation Deficiency  |
|----|------------|---------|---------------------------|--------------|-----------------------------------|--|---|
| 8  | 3/6/2015   | 184     | Guastella Associates, LLC | \$ 15,692.50 | 11                                | Work in progress on rate case. Review latest draft and address property tax issue.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 03/06/15 appears incorrect; Work performed appears to include property tax negotiations; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 9  | 4/8/2015   | 192     | Guastella Associates, LLC | \$ 4,792.50  | 12                                | Work on progress on rate case. Review latest draft and address property tax issue.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 04/08/15 appears incorrect; Work performed appears to include property tax negotiations; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 10 | 5/20/2015  | 204     | Guastella Associates, LLC | \$ 17,992.50 | 13                                | Consulting services in connection with rate case. Prepare report to the PSC, ORS and POAs on the capital improvements as required in the last rate case decision and order.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 05/20/15 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 11 | 6/5/2015   | 209     | Guastella Associates, LLC | \$ 19,067.48 | 14                                | Consulting services in connection with rate case. Prepare report to the PSC, ORS and POAs on the capital improvements as required in the last rate case decision and order, and work in progress to prepare rate petition.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 06/05/15 appears incorrect; No purpose listed for Material & Shipping costs; No receipts provided for Material & Shipping costs; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 12 | 7/1/2015   | 211     | Guastella Associates, LLC | \$ 53,810.00 | 15                                | Work in progress on rate application. Complete rate analysis, notice and documents required for the rate application. Prepared notices and newspaper publication. Review and responds to ORS first set discovery requests. Review first ORS-WWW request and audit requests and begin preparing responses. Related correspondence and communications with | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 07/01/15 appears incorrect; Employee position titles inconsistent with prior GA invoices; No detail or amount for "adj July 2014 billing"; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate   |
| 13 | 8/10/2015  | 215     | Guastella Associates, LLC | \$ 67,860.00 | 21                                | Work in progress on rate application. Review and respond to ORS discovery requests, Audit Requests, and WWW requests. Related correspondence and communications with attorneys.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 08/10/15 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 14 | 10/14/2015 | 223     | Guastella Associates, LLC | \$ 19,870.00 | 30                                | Work in progress on rate case. Review intervenors IROG and production of documents. Draft responses. Review GW testimony. Related correspondence and calls with attorneys.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 10/14/15 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |



Daufuskie Island Utility Company, Inc.  
2014-346-WS  
ORS Response to DIUC Discovery Question 3a

| #  | Date       | Invoice | Payee                        | Amount       | Rehearing Exhibit<br>DMH-1 Page # | DIUC Invoice Description   | ORS Documentation Deficiency  |
|----|------------|---------|------------------------------|--------------|-----------------------------------|--|---|
| 15 | 11/9/2015  | 228     | Guastella Associates,<br>LLC | \$ 82,695.34 | 36                                | Work in progress on rate case. Review and respond to discovery, review and prepare motions, prepare cross-examination of opposing witnesses, prepare for and participate in hearings. Attend inspections by ORS and Intervenor. Related discussions, conference calls and correspondence with attorneys.                             | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 11/09/15 appears incorrect; Employee position titles inconsistent with prior GA invoices; No details provided for travel and UPS/express mail expenses; No receipts provided for travel and UPS/express mail expenses; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 16 | 12/11/2015 | 232     | Guastella Associates,<br>LLC | \$ 37,812.50 | 37                                | Work in progress on rate case. Prepare proposed order. Related discussions, conference calls and correspondence with attorneys.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 12/11/15 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 17 | 1/6/2016   | 236     | Guastella Associates,<br>LLC | \$ 17,412.50 | 42                                | Work in progress on rate case. Revise and finish proposed order. Prepare income statement under the PSC's Order demonstrating its confiscatory rates decision. Related conference calls and correspondence with attorneys.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 01/06/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 18 | 2/4/2016   | 242     | Guastella Associates,<br>LLC | \$ 14,652.50 | 46                                | Work in progress on rate case. Review answer by ORS to proposed order; and prepare drafts, edits and final response to ORS. Review PSC decision. Prepare drafts, edits and final bond proposal to implement DIUC's requested rates. Prepare compromise position options. Related conference calls and correspondence with attorneys. | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 02/04/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 19 | 3/12/2016  | 247     | Guastella Associates,<br>LLC | \$ 3,772.50  | 47                                | Work in progress on rate case. Review PSC decision on bond. Prepare notices and original rate increase. Related conference calls and correspondence with attorneys.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 03/12/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate  |
| 20 | 4/6/2016   | 253     | Guastella Associates,<br>LLC | \$ -         | 52                                | No charges this month.   |   |

| #  | Date       | Invoice | Payee                     | Amount       | Rehearing Exhibit<br>DMH-1 Page # | DIUC Invoice Description  | ORS Documentation Deficiency   |
|----|------------|---------|---------------------------|--------------|-----------------------------------|---|--|
| 21 | 5/16/2016  | 259     | Guastella Associates, LLC | \$ 5,562.50  | 56                                | Work in progress on rate case appeal. Prepare outline and discussion of appeal issues.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 05/16/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 22 | 6/21/2016  | 263     | Guastella Associates, LLC | \$ 8,522.50  | 58                                | Work in progress on rate case appeal. Review and edit attorney's draft appeal, related discussions and review final appeal.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 06/21/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 23 | 7/8/2016   | 269     | Guastella Associates, LLC | \$ 5,617.50  | 62                                | Work in progress on rate case appeal. Review and edit additional revisions to appeal and conference calls with attorneys. Negotiate and prepare financial information for bond agents and respond to data requests, and related | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 07/08/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 24 | 8/12/2016  | 274     | Guastella Associates, LLC | \$ 2,537.50  | 66                                | Work in progress on rate case appeal. Review reply briefs of ORS and POAs, and related discussions and correspondence with attorneys.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 08/12/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 25 | 9/6/2016   | 277     | Guastella Associates, LLC | \$ 15,357.50 | 68                                | Work in progress on rate case appeal. Prepare drafts of reply to ORS and POA replies to appeal; and related discussions and correspondence with attorneys.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 09/06/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 26 | 11/18/2016 | 288     | Guastella Associates, LLC | \$ 1,307.50  | 74                                | Work in progress on rate case; final edit of briefs and documents for submission to the Court.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 11/18/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 27 | 1/9/2017   | 292     | Guastella Associates, LLC | \$ 22,117.50 | 79                                | Prepare issues for oral argument before Judicial Supreme Court; attend and/or review oral argument; prepare report. Related correspondence and discussions with attorney.   | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 01/09/17 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |

Daufuskie Island Utility Company, Inc.  
2014-346-WS  
ORS Response to DIUC Discovery Question 3a

| #  | Date       | Invoice | Payee                     | Amount       | Rehearing Exhibit<br>DMH-1 Page # | DIUC Invoice Description   | ORS Documentation Deficiency   |
|----|------------|---------|---------------------------|--------------|-----------------------------------|--|--|
| 28 | 7/17/2017  | 327     | Guastella Associates, LLC | \$ 7,825.00  | 86                                | Prepared financial statements, calculations of amounts and request to PSC for renewed bond; related discussions and work with surety agent, bank for LOC, and attorney.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 07/17/17 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 29 | 8/18/2017  | 333     | Guastella Associates, LLC | \$ 2,325.00  | 89                                | Work in progress on rate case. Review Supreme Court decision and prepare preliminary calculations of impact on rates; related correspondence and discussions with attorney.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 08/18/17 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 30 | 9/15/2017  | 335     | Guastella Associates, LLC | \$ 9,700.00  | 92                                | Work in progress on rate case. Prepare schedules of the impact of the Court's decision on specific issues and overall, prepare settlement schedule and rate case expense schedules. Related correspondence and discussions with attorneys on rates, rehearing. Intervenor issue on bonds, motion for costs and potential settlement position.  | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 09/15/17 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
| 31 | 10/17/2017 | 337     | Guastella Associates, LLC | \$ 10,351.25 | 101                               | Work in progress on rate case. Prepare settlement issues; prepare schedule of rate case expenses and compile invoices; review motion for Court costs and compile costs; review ORS settlement proposal and review its work papers and calculations; prepare settlement offers and options. Related correspondence and multiple discussions with attorneys on rates, rehearing, and attorney's discussions with ORS and Intervenor. | No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 10/17/17 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate |
|    |            |         |                           | <b>Total</b> |                                   | <b>\$542,978.09</b>  |  |